

**THE EFFECTS OF KNOWLEDGE MANAGEMENT PRACTICES
ON PERFORMANCE OF CONSOLIDATED BANK OF KENYA**

IKAPESI A. JANE KLEIN

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DECLARATION

This research project is my original work and has never been presented for any degree in this or any University.

Signed

Date.....

Ikapesi A. Jane Klein

D61/77018/2014

This research project has been presented for examination with my approval as the university supervisor.

Signed

Date.....

Dr. Winnie Njeru,

Lecturer,

School of Business,

Department of Business Administration,

University of Nairobi.

DEDICATION

This project is dedicated to my family, my precious and loving parents. To my awesome father who always encouraged me in through my studies; you are my number one source of inspiration. Though you did not live long to see this, I finally made it. To my mother, for words of encouragement and prayers. To my son Ryan, may you be motivated to achieve your dream. Am always thankful.

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TABLE OF CONTENTS

DECLARATION.....	ii
DEDICATION.....	iii
ACKNOWLEDGEMENT.....	iv
TABLE OF CONTENTS	v
ABSTRACT.....	viii
CHAPTER ONE: INTRODUCTION.....	1
1.1 Background of the Study	1
1.1.1 Concept of Knowledge Management Practices	2
1.1.2 Firms Performance.....	4
1.1.3 Commercial Banks in Kenya	5
1.1.4 Consolidated Bank of Kenya	6
1.2 Research Problem	7
1.3 Research Objectives.....	10
1.4 Value of the Study	10
CHAPTER TWO: LITERATURE REVIEW.....	12
2.1 Introduction.....	12
2.2 Theoretical Foundation	12
2.2.1 The Knowledge Management Model.....	12
2.2.2 The Resource Based (RBV) Theory	14
2.3 Challenges of Knowledge Management Practices.....	15
2.4 Knowledge Management Practices and Performance.....	17
2.5 Summary of Empirical Studies and Knowledge Gaps.....	17

CHAPTER THREE: METHODOLOGY	21
3.1 Introduction.....	21
3.2 Research Design.....	21
3.3 Data Collection	21
3.4 Data Analysis	22
CHAPTER FOUR:DATA ANALYSIS, RESULTS AND DISCUSSION	24
4.1 Introduction.....	24
4.2 Demographic Characteristics	24
4.3 Knowledge Management and Culture	25
4.4 Knowledge Management and Structure.....	26
4.5 Knowledge Management and Information Technology Infrastructure	27
4.6 Knowledge Management and People.....	28
4.7 Knowledge Management Practices and Performance.....	29
4.8 Challenges Facing the Internal Implementation of the Knowledge Management Practices	30
CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS.	33
5.1 Introduction.....	33
5.2 Summary of Findings.....	33
5.2.1 Effects of Knowledge Management Practices	33
5.2.2 Knowledge Management and Performance	35
5.2.3 Challenges of Implementing Knowledge Management Practices	36
5.3 Conclusions.....	37
5.4 Recommendations for Policy and Practices.....	38

5.5 Limitation of the Study	39
5.6 Areas for Further Studies	40
REFERENCES.....	41
APPENDIX 1: INTERVIEW GUIDE.....	45

ABSTRACT

Most organizations are adopting knowledge management in their strategy as a tool of sustaining competitive advantage in the market. In the modern world the business environment is that of a cut throat competition, not only has the technology changed, but equally the consumer is too demanding of most services from one central Point. This has made most business organizations to change their focus from the off the shelf products to consumer needs products. This brings about the need for knowledge management practices as one way of stay true to the consumer needs and survival in the competitive business environment. The objective of the study was to determine the effects of knowledge management practices on the performance of the Consolidated Bank. The research study relied on a case study since it focused on observing the situation of the design. The research targeted to administer the interviews to 10 top Senior Management of Consolidated Bank who are the management in different business units' including the CEO. Data was analyzed using content analysis. The study concluded that knowledge management helps in delivery of quality service, informed employees who are effective and efficient thus enhanced performance. Without sufficient product knowledge organization staff cannot be able to effectively satisfy their customers. Implementation of knowledge management trainings for employees in an organization helps to improve the performance of the organization. The study also concluded that allowing staff to make their own decision helps to improve the employee productivity. This in the long run boosts the organization performance. The study recommends that organizations need to ensure that all their employees are provided for with sufficient software and hardware. An informed employee is a critical success factor that contributes to enhanced performance. In addition organizations should also implement knowledge management trainings for employees so as to boost their performance.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

In today's world, research is the order of the day, key reasons for research is 'to find out the hidden knowledge that has not been discovered. Knowledge is an asset valued as economic resource. Beasley and Cooper, (2008) emphasizes that every organizations mission statement as well as objectives is geared towards knowledge management as a strategy of achieving short and long term goals. Earl (2001) observed that companies should strive to make realignment between their knowledge management strategies as well as knowledge programs with their respective techniques, skills, roles, culture as well as their ambitions. The idea of merging knowledge management strategy and business strategy ensures that a company moves in the right direction and enjoys a competitive advantage. For knowledge to be implemented in an organization O'Dell and Grayson (1998) advised that enablers should be established; culture, technology, leadership and measurement. Enablers are mechanisms that permit successful transmission of knowledge to the intended recipient for the intended purpose; desired results. In support of knowledge enablers, knowledge processes should be identified. Davenport and Prusak (1998) identified knowledge processes as knowledge generation, knowledge storage and knowledge sharing.

This study was anchored on two theories; the knowledge management model and the resource-based (RBV) theory. Knowledge management model focuses on the organizations infrastructure and its employees, it advocates proper employee remuneration and motivation as factors that enable employees double their efforts to

increase the company's performance. The theory further argued that an organization will boost its performance because of its internal attributes that are unique from its competitors and not because of any external factors. The Resource Based Theory (RBV) focused on the resources that the firm has invested on as key factors that enhance performance and competitive advantage, Demarest (1997). Firms therefore should focus on knowledge management practices as a strategy of utilizing the firms existing resources, in support of the RBV, the firms top management is tasked with ensuring that performance is enhanced and maintained.

This study focused on the general management and operationalization of the Banking sector in Kenya. Consolidated Bank was used as the case study to represent the Banking sector. The Bank is fully owned by the Government of Kenya with a 51% Shareholding held by the Treasury through Deposit Protection Fund, 49% of the shareholdings are owned by the 25 Parastatals and other government related organization. The Bank has since grown to 18 Branches located in the various parts of the country. The Bank started operations in 1989 after the merger of nine insolvent financial institutions. It was fully issued with a full Commercial Banking license in 2001. Currently the Bank has 18 branches spread across the country.

1.1.1 Concept of Knowledge Management Practices

Knowledge is a process of knowing and understanding things, issues and phenomena. Binney (2001) noted the various sources of knowledge: intuition, experiences, empiricism, learning as well as conditioning. Drucker (1993) defined knowledge

management as a practice in which an enterprise gathers, organizes analyses and shares knowledge of individuals and groups across the organization in ways that directly affect performance. Tankosky (2008) argued that knowledge management includes among other things a number of activities used in any organization to create, collect, transfer as well as apply what people in the some organization know. These practices are incorporated in the organization's mission and vision. Alavi and Leidner (2001) viewed knowledge management practices in terms of knowledge creation, knowledge storage, knowledge retrieval, knowledge transfer and knowledge application.

Osano (2007) stated categories of knowledge management enablers: technological enablers and organizational enablers. The scholar defined knowledge management enabler as systems and infrastructures that ensure that the existing knowledge that an organization possesses is managed, created, captured, shared or transferred. Examples of technological enablers include the internet, knowledge data bases, information management types, software tools, ICT systems that ensure free flow of knowledge, e-learning, collaborative software, corporate 'yellow pages directories', blogs and web conferencing.

The second category of enablers Osano (2007) explained is the organizational enablers include coaching, peer assists, communities of practice, information taxonomies and mentoring. Asava (2009) observed that there are many positive results that come as a result of an organization embracing knowledge management practices, they include improved quality of products and services, increased productivity, boasting of the

competitive advantage, employee satisfaction and remote innovation. From the above definitions, the basic idea behind knowledge management practices is to enhance an organizations level of performance.

1.1.2 Firms Performance

Firms' performance is reflected in the firm's mission statement 'to achieve the long term goal'. It is an important parameter that firms use to measure their success. It is the output of the firm. Huang (2001) stated that different firms have and use different aspects to measure performance; customer satisfaction, productivity, profitability, efficiency, effectiveness, innovations, staff performance among others. According to Narver and Slater (2006) performance is measured in terms of growth in sales, return on assets, successful launch of new products and demand and supply in the market. Drucker (1995) noted that performance refers to the art and science of defining work and rewarding an employee's capability with an aim of increasing service delivery. Bolsot M.H. (1998) defined performance as a formal process, which is systematized aimed at identifying the strength as well as weaknesses of the employees. Those identified weaknesses and strength are observed, measured, recorded and developed.

Performance of the firm is usually measured using the standards of the strategic objectives set to be accomplished. The objectives and goals are usually established in the strategy formulation stage of the strategic management process. The objectives can be in a form of increase in market share, profitability and cost reduction. Harari O (1994) noted that financial performance and strategic performance are two unique performance

yardsticks for the firm, for it indicates the sustainability of the firms in the industry in terms of gaining competitive advantage. Most studies by researchers have concentrated on the relationship of performance and various variables; this shows the relevance of the variable to most firms.

1.1.3 Commercial Banks in Kenya

The Commercial Banks in Kenya are regulated by the Company's Act, Banking Act, the Central Bank of Kenya Act and the Guidelines that are issued by the Central Bank of Kenya. The Central Bank of Kenya report for 2009 listed 44 licensed Banks, 32 Local Banks, 10 Foreign Banks and 2 Local Banks having a significant shareholding of the Kenyan Government as well as other State Corporations. Kenyan Commercial Banks are categorized into three categories based on the Net worth; large, medium and small. Out of the 43 Banks, 13 are Large Banks with a net-worth asset of Ksh.15 billion and above. The medium Banks are 17 with a net-worth of Ksh. 5-15 billion and the Small Banks are 15 with net-worth assets of Ksh.5 billion and below.

According to the Central Bank of Kenya report 2016, Kenya's Banking sector has experienced continuous growth of assets in terms of Bank deposits, increase in profitability as well as diversification of products. This has helped Kenyan Banks to spread across the region. The marketing strategy employed is consumer needs and designing tailor made products, however the same period has witnessed the collapsing of a few Banks, Chase Bank, imperial Bank and the Dubai based Bank that placed under receivership. Among the reasons for their collapse include stiff competition, Corruption

exercised by management, emergence of new technologies and increased innovation like the Mobile Money Banking services. All these reasons can be aided by the adoption of knowledge management practices as a strategy.

The Central Bank of Kenya report (2016) advised Kenyan Banks to devise new strategies which they can use to cope up with the changing business environment where consumers' demands are changing at a faster rate. Commercial Banks are encouraged to design new and diversified products and services to customers to be 'one stop shop 'and devise strategies that are anchored on Information Communication Technology in order to survive in the competitive existing business environment.

1.1.4 Consolidated Bank of Kenya

The Consolidated Bank is a licensed Bank in Kenya categorized as a medium Bank. In the financial year of 2016, its net-worth assets was estimated to be ksh.13.9 billion and rated by Central Bank of Kenya to position 31 out of 43. The Bank was incorporate in 1989 under the Companies Act; this was after the merger of nine insolvent financial institutions. It was fully issued with a Commercial Banking license in 2001. The Bank is fully owned by the Government of Kenya with a 51% Shareholding held by the Treasury through Deposit Protection Fund, 49% of the shareholdings are owned by the 25 Parastatals and other government related organization. The Bank has since grown to 18 Branches located in the various parts of the country.

Consolidated Bank focuses on meeting the Banking needs of both Corporate and Small and Medium Enterprises. Since inception the Bank has made an indelible mark through meeting the Banking needs of individuals, Small and Medium Enterprises and other institutions. The biggest advantage Consolidated Bank enjoys is that it possesses a wealth of experience in helping the Small and Medium Enterprises to progress and unlock their potential as well as sailing through different challenges experienced. The Bank offers both products and services; loan and overdraft facilities, current and savings accounts, fixed and call deposits, local and overseas money transfer services among others. The Bank employees have banked into the team-work spirit, work is guided by the Banks Mission and Vision Statement. The Banks Core-Values are; Customer focus, Integrity, Professionalism, Team Work and Innovation. Since 2012 the Bank has faced financial challenges as result of market forces; stiff competition as a result of the Central Bank of Kenya capping of the interest rate. The solution to this is adopting good strategies that will help shield against harsh business environmental forces. Among the strategies include the adoption of the knowledge management strategies.

1.2 Research Problem

Most organizations are adopting knowledge management in their strategy as a tool of sustaining competitive advantage in the market. In the modern world the business environment is that of a cut throat competition, not only has the technology changed, but equally the consumer is too demanding of most services from one central point. This has made most business organizations to change their focus from the off the shelf products to consumer needs products. This brings about the need for knowledge management

practices as one way of stay true to the consumer needs and survival in the competitive business environment.

Innovation and technology are evident forces of change affecting the business environment. Knowledge management has become a necessary strategy to be embraced by organizations and its employees to help in understanding organizations operations from end to end. Cross and Weller (2001) carried out empirical studies on Commercial Banks in Europe on the benefits of knowledge management practices as a strategy, knowledge management was found to be an enabler in giving organizations competitive advantage. Curado (2008) studied the perceptions different Commercial Banks in Portugal had on knowledge management; Curado further discovered that some organizations perceived adoption of knowledge management practices as unnecessary cost. Ibrahim and Reid (2009) in an article stated that knowledge management is a critical factor to organizations; it creates a sustainable competitive advantage and helps to improve business processes. Organizations can reduce business-processing time simply because they can share best practices. Business processes can also improve through conversations and discussions that can generate valuable knowledge for forecast saving and cost reduction.

Regionally, Asava (2009) advised that knowledge management addresses business challenges and enhances customer responsiveness; this is achieved through the production of innovative products and services, managing and enhancing relationships with existing and new customers, partners, and suppliers. O'Dell and Grayson (1998)

study on effects of knowledge management practices on organizations indicated that knowledge management results in less-frustration, employees can access information from documented libraries and there is no need of relying on others. Work processes are documented so that when an employee resigns from the organization or department, others can easily pick up those tasks without confusion. Moffet and Hinds (2010) studied on the challenges of knowledge management on organizations, the study showed that, successful knowledge management implementation involves employees. Knowledgeable workers have flexibility and freedom to conduct their work according to their own intelligence, experience, and initiative; they support each other through technology and information infrastructure, which resultantly benefits both themselves and the organization.

In Kenya, Nyawade (2005) carried out the research on knowledge management practices in British American Tobacco Company. The study focused on the perceptions employees of the company had towards Knowledge management practices, the findings showed that some employees were resistant to Knowledge management practices. These practices were not in line with their interests. Osano (2007) researched on knowledge management practices among the internet providing companies in Kenya. The study focused on the companies structures and how they embrace knowledge management practices, some structures were found to prohibit Knowledge management practices. Wangari (2009) researched on the linkages between critical success factors and the knowledge management systems at the Olivado Kenya (EPZ) Ltd, the scholar found out that relationship between the organizational management and employees as a critical success

factor. Asava (2009) studied on knowledge management as a strategy of competitive advantage among the Commercial Banks within Kenya, 5 Commercial Banks were sampled. Knowledge management practice was found to be helping organization to enjoy a competitive advantage in the business environment.

From the above studies, it was clear that limited research was carried out on the effects of knowledge management practices on performance of Consolidated Bank, though most research on Knowledge management concentrated on other organizations and commercial Banks in general. This study leads to seek answers to the research question; what are the effects of knowledge management practices on performance of Consolidated Bank.

1.3 Research Objectives

The objective of the study was to determine the effects of knowledge management practices on performance of the Consolidated Bank.

1.4 Value of the Study

This study was anchored on the theories of Resource Based View (RBV) and knowledge management model. The study sought to identify weaknesses of these theories. The findings and recommendations of the study were useful to the researchers for future reference and it also adds value to the theories in terms of expanding their scope.

The new knowledge created will be useful to the management practitioners of Consolidated Bank who constitute the context of study, the findings and recommendations made will be of use as a tool for evaluating whether the organization is on the right direction compared to where it wants to be, and where necessary implement emergent strategies to aid in achieving long term visions within a short period of time.

This study is of importance to other Commercial Banks who intend to adopt knowledge management practices. It will aid in decision making; strategists and policy makers will use as a reference tool to advice other Commercial Banks in Kenya

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter examined the theoretical framework on which knowledge management practices were based globally. The Knowledge management theory, the Resource Based View (RBV) theory and a review of empirical studies alongside conceptual model linking the knowledge management and performance.

2.2 Theoretical Foundation

The study was anchored on the knowledge management model and Resource Based View (RBV) theory. The use of theories is of importance to the researchers and practitioners, it provides a framework upon which efficient field developments and explanations are analyzed.

2.2.1 The Knowledge Management Model

McAdam and McCreedy (1999) made the assertions of how to inter-connect various components of the company; Knowledge Management of the organization, Knowledge Management of the infrastructure as well and Knowledge Management of the people. The scholars advise that a company must balance all the three components so that the Knowledge Management initiative can succeed. Spender (1996) argues that Knowledge Management strategy must be aligned by the overall and commercial strategy of the company's virtue and employee socialization.

Druker (1993) noted that the world has entered into the society of knowledge which is considered as an economic resource, the scholar affirms that those employees who were

knowledgeable played an important role and were assigned tasks that required expertise. Davenport and Prusack (1998) argues that, knowledge as an asset must be easily accessed, developed and used for an organization to maximize on the existing knowledge. The scholar further advices that, organizations should put in place proper infrastructure and structures to support knowledge transition.

Seemann et al (1999) supports the theory by emphasizing that employees should be properly remunerated and given the necessary support to drive the company to greater heights. This is through motivation and individual learning; innovative ideas should be encouraged and rewarded by the company. Finally the model emphasizes that the employees must be provided for with sufficient hardware as well software that will enable them to share their acquired knowledge amongst themselves in the company.

The model supports the study by presenting the arguments that the adoption of Knowledge Management practices is a vital tool that enhances great performance .This therefore means that if Consolidated Banks motivates its employees, invests in its employees through the acquisition of knowledge, sharing of knowledge, managing of knowledge, storage of the same knowledge as well as retrieval of that knowledge, there is a high likelihood that it will enhance its current performance.

The only weakness of this model is that it does not address the challenges of financial constraints in cases where an organization is financially operating below optimum level

and in cases where there is stiff competition in the business environment. This study will serve to improve on this theory as it will help to address such challenges.

2.2.2 The Resource Based (RBV) Theory

The RBV is a strategic management theory pioneered by Wernerfelt (1984), Rumelt (1984) and Barney (2001). The three scholars argued that resources are the ingredients that an organization injects in its business cycle. These resources are divided into three major groups namely, physical capital, human capital as well as organizational capital. A combination of the above groups is what gives the organization the necessary capacity to deal with the emerging challenges in the process of implementing on its strategies. Therefore what differentiate most organizations in terms of their performances are the different resources and different capacities that the organizations has and not factors that emerge from the external environment Zack (1999).

Peterf and Bergern (2003) further affirmed that the firms internally created resources and capabilities are the pillars that form the basis of competitive advantage .The organization strengths lies in its domestic resources and not it's outside environment Day and Wendler (1998). By domestic resources Day and Wendler (1998) implies those unique qualities and attributes that the organization has unlike the rest.

This theory is relevant to this study because the Consolidated Bank enjoys both human resource that is capable and well exposed as well as the physical capital through its infrastructure and organizational structures that are well coordinated. Once the Bank

manages to put various knowledge management practices such as motivating their employees, building a good rapport between the managers and the employees, making good use of the ICT services, as well as creating a knowledge data base that will be able to form institutional memory among others, Consolidated Bank will significantly improve on its performance and achieve its long term goals within a short period of time. The only weakness of the theory to this study is that the Consolidated Bank suffers from financial challenges given the demands of the business environment. This study therefore served to improve this theory by devising ways and means in which the theory can help to sort out such challenges.

2.3 Challenges of Knowledge Management Practices

Fourier (2004) warns that once a Bank has invested in knowledge management practices there is a likelihood of experiencing challenges in its implementation. It is not a guarantee that the significant returns must be experienced immediately as this is a long-term investment. In fact Vestal looks at knowledge management practices as a survival tactic of any organization in the modern business environment which is of knowledge economy. Therefore Knowledge Management should be taken as a tool to give the Bank an edge over other Banks, it also ensures that the Banks vision is met within a very short period of time and finally increase on the margin of profit returns.

Weber et al (2001) noted that Knowledge Management practices usually experience the following challenges in its implementation: Since people are complicated and have different psychological needs, knowledge has to be stored in a data base, which is so time consuming, costly and labor intensive, alternatively employees are so busy with their

assigned tasks to the extent that they have no time to do peripheral issues such as knowledge sharing. Secondly most projects or programs that require team work are usually on a temporary basis. The third challenge is that there exists the gap between the practical things employees do and what is documented, most of the decisions made by the employees are usually spontaneous and it differs from one individual and organizations to the next.

Nonaka (1994) identifies a number of challenges associated with Knowledge Management practices: availability of much information, employees are not able to digest all of it because it's in big volumes and there are no sufficient tools to debunk that information. The end result is that information is overloaded and employees are frustrated and demoralized. The benefits of those new applications are not usually seen hence they eventually avoid it.

Smith (2007) noted that at times some levels of disrespect may exist, mistrust and working at cross purposes between employees and the management. This may therefore make some employees to avoid sharing of knowledge because they are avoiding criticisms from other employees, or victimization by the management or fear of being sabotaged by fellow employees. Scherago also noted that most organizations reward their employees based on individual efforts and knowledge possessed by individual. Scherago therefore proposes that one way of enhancing knowledge management practices is to reward knowledge sharing; existence of rewards for information sharing motivates

employees therefore the quantity of sharing knowledge will go high while the quality of shared knowledge may go low.

Quinn (1996) said that professional knowledge is one of the salient sources of professional power. People are able to advance on their status as well as boost their self-worth through possessing special knowledge and skills. The feeling of “ownership and holding knowledge” comes in. Employees some time are reluctant in sharing what they know because their personal value may get finished; therefore this is also a big challenge when it comes to knowledge management.

2.4 Knowledge Management Practices and Performance

Lee and Choi (2000) observed that an organizations performance is high when the employees are contented and well-motivated. The performance of the employees is rated using the performance of the organization. When measuring performance, factors such as levels of productivity, efficiency, effectiveness, quality as well as profitability are taken into the account. This factors will only be favorable if employees are motivated through good salaries and wages, proper allowances, payment of overtime, health benefits, paid leaves as well as medical cover just to mention but a few, the absence of the motivation factors will negatively affect the performance levels of the organization.

2.5 Summary of Empirical Studies and Knowledge Gaps

Cross and Weller (2001) studied on the benefits of knowledge management practices as a strategy on Commercial Banks in Europe, the findings showed that Banks that had

embraced knowledge management practices had a higher competitive advantage in the market. These institutions reported large customer base and customers loyalty could be felt. The employees Performance of tasks was efficient and general organizational performance was high unlike those Banks that had not embraced knowledge management practices. In another study carried out in Portugal by Curado (2008), the perceptions of Commercial Banks in Portugal on knowledge management was found to be unnecessary cost and recommended as a cost that should be done away with by the firms.

O'Dell and Grayson (1998) looked at the effects of knowledge management practices on organization. The study found that knowledge management results on less frustration and thus staff members can easily access information and no need to rely on secondary sources of information. Work processes are well documented such that when employees leave an organization, others can easily pick up the tasks without confusion. Moffet and Hinds (2010) while analyzing challenges of knowledge management on organizations, found out that successful knowledge management implementation involves employees. Knowledgeable workers are found to be efficient and effective in their duties and support each other thus benefiting the organization. According to Nyawande (2005) study on the perceptions employees had towards knowledge management practices in British American Tobacco Kenya, some employees were found to be resistant to knowledge management practices arguing that it was not in line with their interests.

Osano (2007), looked at knowledge management practice among the internet providing companies in Kenya (focus-the internet structures), it was found that some structural

barriers prohibited knowledge management. Wangari (2009) studied the link between critical success factors and knowledge management systems at Olivado Kenya (EPZ) Ltd and found that relationship between organizational management and employees was a critical success factor. Asava (2009) examined knowledge management as a strategy of competitive advantage among the Commercial Banks in Kenya and concluded that knowledge management practices help organizations enjoy competitive advantage.

From the above information, Knowledge Management practices have been dealt with comprehensively. However the study noted with a lot of concern that the state of knowledge management practices as well as their applications in the Banking sector of Kenyan Banks was at the infancy level and still undergoing teething problems. This meant that there was urgent need of finding out why Kenyan Banks were not embracing fully the knowledge management practices as a strategy of enhancing their performance. Previous studies dealing with knowledge management practices in the Kenyan Banks focused on privately owned Banks, while other studies focused in all the Banks in a general.

However limited studies were done on knowledge management practices for the publicly owned Banks such as the Consolidated Bank. Secondly the major objectives of the previous studies were focusing on the link between knowledge management practices and the management of the Commercial Banks in Kenya. Although a number of important discoveries were made such as knowledge management practices improves service delivery, encourages innovation as well as encouraging Banks to motivate its employees

through rewards. These studies were only focusing on Banks in general and for the specific cases no study was focused on publicly owned Banks in Kenya. Although both public and private Banks are operating in the same business environment and regulated by the same bodies, there is a very big difference in how publicly owned Banks are operated and managed from that of privately owned Banks.

It is upon this background therefore that this study aimed at establishing the effects of knowledge management practices on performance of Consolidated Bank. The study also sought to answer the question; what are the effects of Knowledge Management practices on Consolidated Banks Performance, and if it has helped the Bank to increase on its profitability and survive in the competitive business environment in Kenya.

CHAPTER THREE: METHODOLOGY

3.1 Introduction

This chapter focused on how the study was done. Dawson (2009) indicates that research methodology is a principle that guides the research study. It addressed the research design adopted in carrying out the study, the respondents that were selected, methods of data collection and analysis.

3.2 Research Design

This study relied on a case study since it focused on observing the situation of the units of study. According to Kothari, (2004), research design involves selection of, research sites and data collection procedures in answering the research questions of the study. It is a framework within which the research is conducted and also involves the guide for collection of data of study Bell (1999).

Yin (1984) stated that case studies present unique ways of observing phenomenal found in sets of data. By Unique, the author implied that only a small number of subjects that are of interest to the study in a geographical area examined to get the details. It involves examining the data at a micro-level; the Consolidated Bank of Kenya was the case of study.

3.3 Data Collection

The study had focused on collecting data by use of primary and secondary methods , the focus was finding in-depth the effects of knowledge management practices on

performance of Consolidated Bank, information was sought, therefore, data was collected using personal interviews, guided by the interview guide which had open –ended questions.

Since Knowledge management practices and performance are part of the Consolidated Banks strategy, the respondents were drawn from Top Senior Management of Consolidated Bank in different business units’ including the CEO. Selection of Senior Management was based on the fact that Knowledge management and performance is captured in the organizations strategy and objectives. Senior Management is a team that is involved in drafting strategies and policies of the organization, this advantages them to have -good understanding of knowledge management practices and how it has impacted on the Banks performance.

3.4 Data Analysis

The data collected was examined, edited and analyzed to establish its accuracy, completeness, consistency and usefulness. The process of analyzing available data involved systematically searching, arranging, organizing and breaking the data into manageable units, synthesizing and looking for patterns among the variables for the purposes of interpretation and further content analysis. According to Weber (1990) content analysis for qualitative data involves breaking the language used in large texts into smaller units that make meaning without altering the intended original meaning.

Qualitative content analysis of data collected from interviews, open-ended questions, articles, policy guidelines, books and publication paid attention to the language and language characteristics that had been used in the text data as a means of communication. Content analysis method was used to analyze the knowledge management: culture, structures, infrastructures, practices and performances at Consolidated Bank. Respondents were asked to explain the effectiveness of various approaches used by the organization in implementing knowledge management practices.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents data analysis and discussions. The study objective was to determine the effects of knowledge management practices on performance of the Consolidated Bank. Primary data was collected using a comprehensive interview guide from 10 Top Senior Management of Consolidated Bank in different business units' including the CEO. The interview guide gave an in-depth inquiry into the matters of knowledge management practices and performance: culture, structure, information technology infrastructure and people . Data was analyzed using content analysis based on the objective of the study and the findings were presented as per the different themes below.

4.2 Demographic Characteristics

The study sought to understand respondents demographic characteristic regarding their management positions: level of education, capacity served and position held, According to the findings respondents had at least Master's and Bachelor's degrees, serving in the capacities of Company Secretary, CEO and Head of Departments and having worked in the organization for a period not less than 5-4 years, this implies that reliable information was collected and respondents had the relevant knowledge required to answer the interview guide.

The top management responsibilities are: Management, decision making on: how resources and assets are acquired, distributed and used - human and physical capital, budgeting, strategy implementation, policy formulation and setting controls. The family

nature of employee, Government ownership, customized customer needs and the spirit of team work was noted to be the strengths Consolidated Bank enjoys.

4.3 Knowledge Management and Culture

The researcher sought to understand the various aspects relating to knowledge management and culture of Consolidated Bank: the value of knowledge, how special characteristics are developed and exploited, how the Bank avoids being imitated, organization and exploitation of resources, weakness that existed ,approaches of instituting knowledge management, opportunities, the vision and factors considered during implementation of knowledge management systems. The respondents explained knowledge management practices as a tool that the organization uses to breed informed employees. Informed employees gave the organization an edge over other Banks in terms of competitive advantage: meeting customer's needs, effective marketing and selling of products and services, communication and sharing of ideas both internally and externally, and enhanced efficiency and effectiveness in the daily Banking operations.

The respondents also explained that internally established resources- infrastructure, structures, technology, human capital, and culture of: training, talent development, innovation and research, sharing knowledge among the members of staff, employee motivation through proper remuneration and rewards as factors that the Organization has capitalized on developing and exploiting the special characteristics of knowledge resources and have also given the Bank competitive advantage. This factors are strengths to Consolidated Bank, other organizations cannot imitate.

Financial challenge and branch network were explained by the respondents as key challenges to the organization. Financial challenge was partly caused by the Central Bank of Kenya 2015 interest rate capping to 14% and the bad loan book which significantly has affected the capital base. Among the opportunities respondents brought out were: faster and quality customer service, improved performance of both the organization and employees. These opportunities were in line with the Banks vision of building staff capacity and competence as they constantly innovate with the times and offer excellent customer service.

The respondents further noted training of staff and implementation of strong ICT systems, discussion and sharing of new ideas amongst employee and embracing the organization culture, as some of the approaches adopted in implementing knowledge management. For implementation of knowledge management practices to be successful, the respondents explained that the Bank considers availability of resources: human capital, physical capital and organizational capital, reviews existing culture especially on employee attitude, competition and market trend. The available resources give the organization the necessary capacity to deal with the emerging internal and external challenges of implementation.

4.4 Knowledge Management and Structure

The respondents were asked to indicate whether the organization: allow staff to make their own decision, the level of decentralization, supervisors' approval of junior staff decision, level of formalization of the rules, guidelines, procedures and policies in the

Bank, communication, ignoring rules, formalization and performance. The study found out that decision making and approval is a management role. The governing policies, procedures, rules and regulations of the organization do not mandate junior employees to make final decisions and approvals. Junior employees are only encouraged to contribute ideas and suggestions subject to management approval. On decentralization, the respondents indicated that the Bank is decentralized with different departments headed by the heads of departments. Under those departments are the managers, officers and graduate clerks.

According to the respondents on the level of formalization of the rules, the Banks board of directors formulates the rules, guidelines, procedures and policies and the top management implements. They also explained that instructions and task are documented. The respondents further explained that the most ignored rules occur due to lack of knowledge on the guiding rules and procedures. It was also brought out that formalization greatly affects performance. According to the respondents communication is formal and is accessed by all employees on time, it also creates a sense of uniformity this helps to achieve a common goal. In addition the respondents explained that formalization enhanced efficiency.

4.5 Knowledge Management and Information Technology Infrastructure

The respondents were asked to explain the IT infrastructure in the Bank. IT support on knowledge management practices, access to the necessary information related to work, IT applications, and the relationship that exists between the IT and performance. The

respondents indicated that the IT infrastructure in the Bank was modern and well established. IT supports all the knowledge management practices: knowledge creation, storage, retrieval and sharing. According to the interviewed respondents IT helps in identification of problems in order to critically analyze them. In addition IT also helps disseminate information from board to management to the entire employees at the lowest level.

Data is periodically stored is backed up for ease of retrieved in its soft copy form. IT helps to set emails in a way that information can be shared to all staff. IT systems provided help in systematic storage of data and information through backup. Employees can send and receive confidential information through protected E – mail service. The respondent also noted that use of systems is an efficient form of applying knowledge as opposed to manual form. Access to information is restricted, employees are only allowed to access information that is job related since Banking is a sensitive sector and confidentiality is a major key. The IT applications available to support knowledge and information sharing are: customer service, search engines, library systems, intranet, help desk applications and online applications. The relationship that existed between IT and performance is based on the performance of the Bank. The respondents showed that IT helps to improve the performance of the Bank through supporting daily operations.

4.6 Knowledge Management and People

The respondents were asked to explain the knowledge and Skills possessed by staff, specialization, and staff understanding of tasks, nature of relationships, and the

relationship that exists between staff knowledge, skills and performance. The respondents indicated that all staff had the prerequisite knowledge required and the relevant skills are gained through job training. Specialization existed but depended on the departments and roles played: legal, finance, human resources, risk and compliance. Other tasks employees learn through internal and external training conducted. Training and daily operations was explained by the respondents to have enhanced understanding of tasks.

Majority of the respondents also explained that the relationship that exists between departments and teams were professional in nature and of mutual benefits. Departments performance were measured based on the Performance of the team under it. Best performing departments had ,more informed and knowledgeable employees who were dedicated to achieving targets at all levels. Respondents also emphasized that knowledgeable employees handled more complex and complicated tasks. The respondents indicated that knowledge and skills is what makes staff to do their daily duties efficiently, this transforms to performance.

4.7 Knowledge Management Practices and Performance

The study sought to gain deeper understanding of how the existing knowledge management practices related to the Consolidated Bank performance. The respondents were asked to explain the trend of Consolidated Bank performance, level of turnaround time, customer satisfaction, and knowledge management practices. According to the majority of the respondents, they rated performance for the last 5 years to have been declining. They cited financial challenges as key factor that contributed to the declined

performance. Other respondents explained general performance to be average .The respondents explained that the Bank uses many other strategic aspects to measure performance apart from knowledge management practices. Other products and services from different departments significantly contributed to the performance of the organization.

Majority of the respondents also explained that turnaround time depends on the complexity of the task and kind of service required. High quality services, Customer loyalty with minimum complains was noted by majority of the respondents as indicators of customer satisfaction. The respondents also noted that the current established Knowledge Management practices guaranteed Consolidated Bank survival in terms of performance. They further explained that the organization has strong Information Communication Technology systems with skilled Information Technology employees who followed Knowledge Management practices to enhance their skills and enhance performance. The respondents also explained that Information was stored in a database for ease of retrieval, besides the stored knowledge, trainings substituted the gaps.

4.8 Challenges Facing the Internal Implementation of the Knowledge Management Practices

The study sought to understand challenges Consolidated Bank faced in implementation of knowledge management practices. Respondents were asked: to indicate challenges facing the internal implementation of the knowledge management practices. Improvements in business performance and the challenges the Bank faced .The respondents indicated that

even though there was great impact on the Consolidated Bank performance as a result of adopting knowledge management practices, the implementation and operation of knowledge management in the organization has not been free of challenges. Vestal (2002) warns that once an organization has invested in knowledge management practices there is a likelihood of experiencing challenges in its implementation. The first key challenge explained by the respondents was the financial challenge. This was linked to the 2015 capping of the interest rates (14 %) by the Central Bank of Kenya and the bad loan book, being government owned Bank respondents explained that chances of it collapsing were minimal. The respondents noted that review and evaluation on policies on expenses was necessary.

Another challenge was time constraint, due to the daily nature of duties employees handle little time was used to access knowledge which is in bulk. Management designed weekly early morning internal training sessions where knowledge is shared amongst employees in every business unit. The culture of negative attitude amongst some of the employees on knowledge management practices was noted to be existing; respondents explained that Consolidated Bank was committed to recruiting qualified personnel fit for the job. However as employees stay and get used to the organization they get familiarized which eventually affects their attitude and productivity.

Some respondents noted that some of the policies on knowledge management were outdated and required urgent review. Lack of adherence to the policies and guidelines was found to be a challenge, for purposes of enhancing performance and moving in the

same direction, respondents emphasized that there is urgent need for review of policies and guidelines and all employees to work strategically towards a common goal. Management need to identify the correct knowledge required to enhance an enterprise's competitiveness .Labor intensiveness, different psychological needs and the power associated with knowledge were more challenges respondents noted, this is in line with Core-Gomolski (1999).Some of the respondents further indicated that technological improvements having enhanced service delivery, turnaround time and general performance of both employees and the Bank. The IT systems face minimal chances of low network.

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The results centered on determining the effects of knowledge management practices on the performance of the Consolidated Bank. This chapter addresses the summary of the findings based on the research objective. The conclusions made in line with the research objective. Finally the study made recommendations in line with theory, practice and policy, limitations of the study and further gives suggestions for further studies.

5.2 Summary of Findings

The study was guided by one objective which was to determine the effects of knowledge management practices on performance of Consolidated Bank of Kenya .Consolidated Bank of Kenya being the case of study. The Summary of the findings are as discussed below.

5.2.1 Effects of Knowledge Management Practices

The study sought to find out if Consolidated Bank of Kenya had incorporated knowledge management practices in its management process and what effect it had on the performance. The respondents agreed that knowledge management practices had been strategically adopted and implemented at Consolidated Bank and can be termed as significantly impacted on performance. This is because the main objective of knowledge management practices was to enhance performance of both the employees and the organization. The established software and hardware supports the internet, email systems,

intranet, web services, access to database and system as well as IT management support of knowledge creation, sharing, storage and retrieval. The established infrastructure, culture and structures as knowledge enablers are also more evident factors that support the knowledge management practices at Consolidated Bank of Kenya.

Through knowledge management practices, the vision, mission, needs and expectations of the Banks stakeholders are met. This was evident through the customer loyalty, faster and quality customer service and improved performance of both employee and the organization. Through establishment of knowledge management practices, transition of knowledge from one source to the other: employees, business units, and teams had been made possible. The cost aspect has also been cut down and outsourcing of external trainers reduced at the expense of internal training.

Specialization exists at Consolidated Bank. Knowledgeable employees are assets that the organization uses to gain competitive advantage. The study also found out that continual sharing knowledge among the employees, conducting regular research and trainings and the existing innovation culture as some of the means the organization uses to develop and exploit the special characteristics of knowledge. The research also found out that there is need for top management to constantly educate employees on the importance of having the right attitude on the existing culture of knowledge management. This is the surest way of enhancing development and implementation of knowledge management.

5.2.2 Knowledge Management and Performance

The researcher found out that Consolidated Bank has fully embraced the practice knowledge management practices and had established knowledge enablers: well-coordinated organizational infrastructures and structures, employee motivation, good use of Information Communication Technology services. The created knowledge databases has permitted successful transmission of knowledge to the intended recipient for the intended purpose; desired results and positively impacted performance of Consolidated Bank as its key strategic objective. Quality service delivery, efficient and effective handling of task have been noted as positive outcomes Consolidated Bank has been enjoying as a result of embracing knowledge management practices. The organization has well informed and knowledgeable employees who efficiently handle daily operational tasks.

However, profitability of the Bank in the last 5 years has been noted to have been declining due to the financial challenges. This was contributed by the bad loan book and the 2015 Central Bank capping of the interest rate. Though Performance of other products and services in different departments and in the market have been noted to have significantly ranked performance of Consolidated Bank to average level. This average performance has been linked to the roles played by informed employees who have embraced and implemented the culture of knowledge management that is in line with Kennedy (1992).

5.2.3 Challenges of Implementing Knowledge Management Practices

The findings of the study identified some key challenges which are facing knowledge management at Consolidated Bank of Kenya. Financial challenge linked to the 2015 capping of the interest rates (14 %) by the Central Bank of Kenya was found to supersede all the other challenges faced by the organization. Time constraint was also found to be another challenge connected to labor intensive, due to the daily nature of duties employees handle, minimum time is spent on reading bulky stored information. The culture of negative attitude amongst some of the employees on knowledge management practices existed as a challenge. Over familiarization by the employees was reported to result to underperformance since implementation of knowledge management practices are not done to the maximum.

Different psychological needs were also reported as challenges that hinder sharing of knowledge .Not all employees have same career interest. Slow internet and some unqualified IT staff were also noted as a challenge. Outdated policies and lack of adherence to policies and guidelines were noted to have caused resistance to knowledge management practices and required urgent review for purposes of enhancing performance and moving in the same direction and towards a common goal. Management need to identify the correct knowledge required to enhance an enterprise's competitiveness. Finally review and evaluation of policies on planning and expenses was noted as a challenge.

5.3 Conclusions

The study concluded that a knowledge management practice is an important strategy with many benefits: quality service delivery, informed and knowledgeable employees who are effective and efficient, despite the challenges associated with it. Even though knowledge management practices have been adopted by Consolidated Bank, other Commercial Banks too should adopt, it aids in enhancing performance. Consolidated Bank is a medium size Bank that has implemented knowledge management practices as part of its strategy. This is an indication that knowledge management practices is a strategy with many benefits and should be implemented by both small, medium and large Banks.

It is important for organizations to set goals that knowledge management aids to achieve. Also continual evaluation of the knowledge management practices is an important parameter that needs to be adopted, acts as a tool for measuring the progress of the organization. It helps in giving solutions to the emerging internal and external challenges that are dynamic in nature and keep on changing as a result of technological advancement and innovation, therefore the need to be proactive in decision making and evaluation should be prioritized.

Knowledge management of a company forms an important strategic role, to create value and improve business performance. While organizational learning generates new knowledge, the organization that has skilled employees in knowledge management, efficiently and effectively manages knowledge that has been created and transform it to performance. However, while implementing knowledge management in an organization,

top management needs to be aware of the challenges that might delay or affect the implementation of the same process. They need to consider what value the knowledge will generate, determine how the firm can exploit the special characteristic of knowledge to obtain a gap in the market, establish how the organization can avoid being imitated by others and also establish how the firm can organize the exploitation of resources in order to implement knowledge management.

5.4 Recommendations for Policy and Practices

The study recommends attention to the following: top management need to ensure that all their employees are provided for with sufficient software and hardware that supports implementation of knowledge management practice for effective handling of tasks ad roles in a professional manner geared towards satisfying the needs of both internal and external customers. As part of the organization strategy, implementation of the appropriate structure and infrastructure would propel an organization towards success. The organizations and employees level of awareness of knowledge management is critical to the success of the implementing the same in an organization.

There is a great deal of performance that can be harnessed from knowledge management practices if the Bank encourages the right attitude, professionalism and motivates employee so that they do not leave the organization for another organization. Professionals in the organizations are assets and resources. Organizations have to implement appropriate process of implementing knowledge management strategies in order to ably face the challenges from the uncertain business environment

In matters of human resources, this study recommends that the organization may need to focus on ways of retaining employees and on the qualities and skills to be hired. This can be done through proper motivation: talent development through training to keep them informed and proper remuneration. This will result to more satisfied and knowledgeable employees, who will lead to improved performance. For purposes of learning in the organization, the systems and should ensure that the line of command is clear where by every employee reports to one supervisor. The marketing department should create awareness to all the employees in amore broad way of knowledge management practices. This can be achieved by use of all the marketing tools including the websites.

To address the financial constraints, this study recommends that proper planning and policy evaluation be done, evaluation of expenses be done on a regular basis in order to aid in proper budgeting and allocation of funds to the most important projects, appropriate recovery procedures and process should be followed in time to cure bad loans and bad debts written off. Organizational policies need to be reviewed on regular basis to ensure that they are up to date. Finally, the study recommends coming up with more products and services as income generating activity.

5.5 Limitation of the Study

This study was a case study, which entailed an In-depth analysis of the effects of knowledge management practices on the performance of Consolidated Bank. Even though in-depth understanding of the effects of knowledge management practices was brought out clearly, a study of the effects of knowledge management practices among

many other Commercial Banks in Kenya would have been of advantage. There is more need to do the same study across many Commercial Banks in Kenya.

The study was also limited by the focus on one aspect of performance which is knowledge management practices. There are many critical strategic elements of performance defined in the Consolidated Banks strategy as pillars of performance. All contributing to the overall organizational performance. A study of many elements of performance in the organization would have advantaged the researcher in ranking performance of the organization. The study also encountered problems with respondents unwilling to promptly complete the interview guide on time.

5.6 Areas for Further Studies

The study sought to determine the effects of knowledge management practices on performance of the Consolidated Bank. This called for the analysis of Consolidated Bank only. The researcher would recommend analysis of other aspects of management that play critical roles on performance of Consolidated Bank. The study can further be replicated by other: Commercial Banks in Kenya, governmental and non-governmental organizations for purpose of making a comparison of the findings with those of the current study. Finally, the researcher would recommend further study of Commercial Banks in Kenya in the area of strategic management which has not been well researched.

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APPENDIX 1: INTERVIEW GUIDE

A. Goal of the Interview Process

To determine the effects of knowledge management practices on performance of Consolidated Bank.

B. Interview Questions

The following section provides sample questions to be used in evaluating knowledge management practices adopted by the Consolidated Bank of Kenya.

Respondent back ground view

1. What is the highest level of education you have received?
2. In what capacity do you serve?
3. How long have you worked?
4. What do you like most about the position you are holding today?

Knowledge management and Culture

1. What is the value of knowledge in this Bank?
2. How does the Bank develop and exploit the special characteristics of knowledge?
3. How does the Bank avoid being imitated by Other Banks of its special characteristics of knowledge management?
4. How does the Bank organize the exploitation of resources in order to implement knowledge management?
5. What is the Banks weakness as far as knowledge management is concerned?
6. What approaches is the Bank having in instituting knowledge management?
7. What are the Banks opportunities resulting from adopting knowledge management practices.

8. What is the vision of the Bank in the development and maintenance of knowledge management?
9. What are some of the external factors you may consider before and during the implementation and knowledge management systems?

Knowledge management and Structure

1. Does the organization allow staff to make their own decision? .Explain
2. How would you describe the level of Decentralization in the Bank?
3. Do supervisors have to approve junior staff decisions? Explain
4. What is the level of centralization? Describe.
5. How would you describe the level of formalization of the rules, guidelines, Procedures and policies in the Bank?
6. Is communication formal or informal? Explain
7. Does staff sometimes ignore rules? Explain
8. How does formalization impact performance? Explain

Knowledge management and Information technology infrastructure

1. How would you explain the IT infrastructure in The Bank?
2. Explain how IT supports knowledge management practices below:
 - a) Knowledge Creation.
 - b) Knowledge Storage.
 - c) Knowledge Retrieval.
 - d) Knowledge Sharing.
 - e) Knowledge transfer.
 - f) Knowledge application.

3. Does IT allow staff to search and access necessary information related and not related to work?
4. What IT applications are available that support knowledge management practices?
5. Is there relationship between IT and the Banks performance? Explain

Knowledge management and People

1. How would you explain knowledge and Skills possessed by staff in the Bank?
2. Does specialization exist in the Bank? Explain
3. How would you explain staff understanding on tasks?
4. How would you explain the nature of relationships that exists between departments in the Bank?
5. Is there relationship between staff knowledge, skills and performance?

Knowledge Management Practices and Performance

1. Explain the trend of Consolidated Bank performance in the last 5 years.
2. Explain the quality of services at Consolidated Bank.
3. Explain the levels of turnaround time at Consolidated Bank.
4. Are customers of Consolidated Bank Satisfied with the kind of services offered to them? Explain
5. In your view do the current knowledge management practices guarantee Consolidated Bank survival in terms of performance? Explain

Challenges facing the internal implementation of the knowledge management practices

1. Are there some technological challenges affecting the operations of Consolidated Bank after adopting the knowledge management practices. Explain.
2. Owing to the technological adoption, has there been an improvement in business performance. Explain.
3. Explain the challenges the Bank has faced in the implementation of knowledge management as proposed by the top managers and the implementation progress of the knowledge management plan.

THANK YOU FOR YOUR PARTICIPATION.